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MONITORING OF TECHNOLOGY TRANSFER AGREEMENTS BY REGULATORY AGENCIES

Some contributions for action *

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1. INTRODUCTION

The Seventh Meeting of Heads of Technology Transfer Registries held at New Delhi in 1982 requested UNIDO secretariat to undertake and present as soon as possible a study into possible ways and methods of effectively monitoring and evaluating the implementation of approved technology transfer contracts.

As a first step in fulfilling that request a report was presented to the Eighth Meeting of Heads of Technology Transfer Registries held in Caracas in 1983 (1), with the major objective of defining and systematizing the monitoring function and outline major policy issues and organizational alternatives especially with respect to the information requirements for effective monitoring.

Among the conclusions and recommendations of the report it was noted that:

- monitoring is a very complicated, skilled labour-intensive and information-intensive operation;
- technology transfer registries in developing countries should initiate and/or expand monitoring activities whenever feasible;
- the exchange of experience among developing countries within TIES as how to perform effectively the monitoring function would probably be the easiest way of gaining the necessary know-how;

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(1) Document ID/WG.405/7-"Monitoring of Technology Transfer Agreements by Regulatory Agencies- an Overview of Policies and Issues."

- TIES member countries should participate in a comparative scheme on monitoring and provide relevant information on their own legal background for monitoring activities and respective operational experience.

The Caracas Meeting further recommended that the UNIDO Secretariat should elaborate on the monitoring of technology transfer agreements, particularly with regard to the establishment of approval criteria for the renewal of technology agreements. In addition, participants felt and noted that:

- the efficiency of monitoring at the macro level should be considerably improved if the monitoring system were computerized;
- the lack of qualified personnel was an inhibiting factor for the efficient monitoring;
- the scope of monitoring by registries depends on the infrastructure in which a registry operates;
- such practices as approval for short-duration contracts should also be subject to some form of monitoring.

The present work is intended to give some contributions for action in respect to the abovementioned problems, and includes the presentation of several examples illustrating actual cases of negotiations between the registries and the parties, the problems faced and the solutions found.

It is also intended, not to be a final document, but to provide ground for discussion and to call forth the necessary exchange of experience among registries in view of additional work on actual operational procedures.

2. THE FUNCTIONS OF THE REGISTRIES AND THE IMPORTANCE OF THE MONITORING

The regulatory agencies created in many developing countries for the analysis and control of technology transfer agreements celebrated between domestic and foreign parties have pursued, in general, the following main objectives:

a) stimulating flows of technology to preferential areas according to the national development priorities;

b) increasing the bargaining power of domestic companies and reducing the direct and indirect costs of imported technology;

c) improving the conditions for an effective absorption and assimilation of know-how;

d) supporting the development of domestic scientific and technological capabilities.

The execution of such tasks as outlined above is of key importance for the technological development, but it should be noted that:

a) the registries perform a regulatory action on the inflows of foreign technology resulting from contractual arrangements between foreign suppliers and domestic firms, whose interests are not necessarily coincidental with the country's needs or the government's objectives;

b) the technological development is a complex process, involving different policy instruments and institutions namely ministries of planning, ministries of science and technology, technology transfer centres, sectoral industry development centres, research and development institutions.

Therefore it seems essential that active monitoring and co-ordinatory actions are sought as necessary tasks , complementary to the evaluation and registration procedures, in order to leverage the results of the intervention in the agreements.

Regular monitoring has been a matter of increasing attention by the registries as a way of assessing the progress of absorption of foreign technology by local recipients and to provide experience about the impact of foreign technology on domestic technological progress in specific sectors.

Monitoring of the agreements is also a source of relevant experience and information, in respect to the comparison between expectations and realities, the influence of contractual terms on the effectiveness of transfer of technology and what to be done in future cases to guarantee a suitable contract performance.

Being an important tool for the evaluation activity of the registries, monitoring is also important for the purpose of dissemination of knowledge and experience on technology transfer issues to other governmental agencies and eventually to other entities as business communities, industrial organizations, etc.

The interest of those recipients in receiving and taking advantage of the information and monitoring reports will strongly depend on the actual relationships established with the registries, and this is one of the reasons why the role and the importance of co-ordinatory activities should be emphasized; besides, as it will be pointed out later, the monitoring of some very important agreements requires specific skills justifying the support of specialized oficial institutins for whom, in turn, the results of such monitoring might be of interest.

In some countries the transfer of technology regulations include provisions with reference to, or definition of, network linkages and co-ordinatory procedures to be established between the registries and other institutions; but independently of the legal framework the registries should take the initiative of implementing co-operation schemes with the remainder institutional infra-structure.

3. BASIC PROBLEMS OF MONITORING

3.1. GENERAL

The actual forms of monitoring and the extent to which it should be implemented depend on the specific needs of the registries, the infrastructure in which they operate and the overall objectives of government intervention in the process of technology transfer.

Monitoring requires periodical collection of information on the performance of the agreement which is screened and checked against the approval conditions.

When requesting information for monitoring it has to be borne in mind which items are really necessary, taking into account two main reasons:

- for the companies, preparation of the information set often demands a substantial amount of clerical work and the enterprises usually have to fill a number of statistical and other questionnaires for other government institutions;
- for most registries, it would be too ambitious to monitor a great number of items in respect to all agreements, considering the resources and staff requirements necessary to invest in such operations as compared to the expected results.

Monitoring the payments can easily be done in a systematic way through regular information obtained from the Central Bank. It is the most immediate aspect of monitoring and permits the comparison between the actual figures and the projected ones, thus giving an indication of the contract performance concerning the production level.

As for an in-depth monitoring, either micro oriented or macro oriented, it may be more realistic to start doing it selectively by choosing, for example:

- important agreements with significant economical impact or potencially influencing the domestic technological base;
- contracts where specific approval conditions were established, as national value added, export targets, involvement of domestic technological capacities, etc;
- priority sectors justifying the analysis of the trends of technology inflows through contractual arrangements.

Evaluation of renewal requests will provide a natural opportunity for monitoring, as a carefull examination should be made on the past performance of the agreement. The problems related to the evaluation and monitoring of renewals will be the subject of a separate section.

3.2. INFORMATION NEEDS FOR MONITORING

The question of information requirements for monitoring is thoroughly dealt with in another paper[2].

Consisting basicaly in a comparison between the actual contract performance and the expectations or conditions established along the evaluation and approval process, monitoring requires a well established information system within the registry.

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(2) ID/WG.429/2, "Manual on the Establishment of Registry Information Systems - Some considerations".

Micro-oriented monitoring implies the existence of background data and projections on the agreements to be monitored, and such data are available from the questionnaires presented with the application, or, when appropriate, they derive from requisits set out by the registries as conditions for approval.

For a systematic collection of information, Annex I taken from document ID/WG.405/7 provides an illustrative checklist and Annex II represents the monitoring form used in Philippines.

In some cases micro oriented monitoring do not require such an exhaustive information as, for example, when the interest of the registry is centered on any specific feature expected from the agreement or imposed to the parties.

Beyond the appraisal of the information supplied by the companies, direct contacts and plant visits may be usefull as they provide additional inputs and contribute to a better understanding of the realities.

Macro-oriented monitoring, mainly concerned with the assessment of overall trends regarding the scope and effects of technology transfer, requires aggregated data, either collected at the micro level or from other available sources of information. At the macro level a more extensive information system is required and, when the number of agreements and items to be analysed is high, computerized information handling will be necessary.

Annex III gives an example of the scope of data available in Poland for the purpose of monitoring and obtaining information of any kind and of any cross-section from the existing license data base, necessary for carrying out monitoring tasks as well as for other regulatory activities related to technological policy in the country.

3.3. SHORT TERM AGREEMENTS

The considerations about monitoring are normally associated to licensing agreements. However a variety of short term agreements as engineering or turn-key contracts and consultancy agreements deserve a special attention. In many cases they involve great amounts of money in foreign currency and, if properly negotiated, they can be used as a tool to up-grade the domestic technological capabilities.

One of the main concerns of the registries in developing countries when appraising engineering and turn-key contracts is related to the contribution of domestic supplies of equipments and services, or the participation of engineering firms in the projects.

In principle the approval conditions bind the parties to maximize the domestic supplies, which are to be sub-contracted in a later stage along the project development.

It is not rare that the parties fail to fulfill their commitments, mainly in respect to supplies which are out of the registry's control, as it is usually the case of purchasing equipments.

Monitoring such agreements will also permit to have the necessary feeling about the behaviour, the capabilities and the insufficiencies of the suppliers, either the foreign or the domestic ones, so improving the approval criteria in future cases.

For consultancy agreements, monitoring is important to find out the actual benefits for the client in result of the consultant's actions or recommendations, and can give indications about the feasibility and interest of proposing the participation of domestic firms in future works in order to improve skills and create conditions for future self-reliance.

Monitoring consultancy agreements may lead to the conclusion that, in some particular fields, the same foreign consultant is frequently requested to render the same kind of services to different domestic firms. The identification of this kind of situations may result in appropriate actions to induce the foreign supplier to set up a subsidiary in the country and prepare local staff in that field of activity.

3.4. ORGANIZATION AND SKILLS REQUIREMENTS

It is recognized that many registries devote most of their efforts to the evaluation and regulatory tasks but are not so efficient in performing co-ordinatory, promotional and monitoring activities for lack of resources, skills or appropriate organization.

Although monitoring needs are primarily felt by the evaluation department and some of the monitoring activities on individual agreements may be performed within the evaluation unit, it seems convenient that some people are made available to perform the monitoring work.

In principle the information department is in the best position to carry out monitoring, especially at the macro level, as this represents an extension of the information processing work; but a close relationship between evaluation and information departments should exist, mainly for the micro-oriented monitoring.

In particular circunstances a monitoring department can be envisaged, for example, when micromonitoring is intended to be performed intensively or when the registry deals with other activities requiring a systematic follow-up as it is the case of direct foreign investment.

3.5. EXTERNAL SUPPORT AND CO-OPERATION

In some cases, when performing the monitoring function the registries need support from other specialized departments or should seek co-operation schemes with other government agencies.

External support will be necessary when special technical matters are to be judged upon and require specialized skills beyond the normal capabilities of registry's staff; it may also consist in the supply of relevant information as, for instance, data from the Foreign Trade Department about prices practiced in tied transactions as compared with those prevailing in the international market.

The convenience of co-operation with other institutions was already underlined. There are transfer of technology agreements related to projects involving the competence of other departments (for instance, in connection with mining activities) and co-ordination should exist in the evaluation stage and for monitoring purposes as well.

Another typical example of a sector requiring co-ordinatory actions is the pharmaceutical industry where the variety and complexity of problems respect to several institutions under different ministries, namely health authorities, price controlling departments, industrial development agencies and the registries themselves.

Within such a complex framework the experience gained by the registries along the evaluation work , the establishing of appropriate approval criteria and the corresponding monitoring measures would not lead to significant practical results without an active interdepartmental co-ordination of efforts.

4. THE ENFORCEMENT OF THE MONITORING FUNCTION

It is normally felt that the effectiveness of monitoring is impaired by the lack of willingness of the recipient enterprise to co-operate and provide information to the registry and that legislative backing should be introduced, namely

- for the access to information necessary to perform the monitoring functions;
- to give the registry the right to intervene during the implementation stage when a deviation from the approved contract has been detected.

It is a fact that most of the transfer of technology regulations empower the registries with authority to evaluate and authorize the agreements but do not usually include specific provisions related to the monitoring activities.

To our knowledge, and taking into account the contributions received from the several registries, exceptions to this rule are found in the Polish, the Mexican and the Portuguese legislations.

In Poland the legal background for monitoring licensing agreements consists of three regulations, namely the Resolution No. 12/76 of the Concil of Ministers from 16 January 1976 and the Disposition No. 17 of the Minister of Foreign Trade dated 20 February 1976, both on registering of licenses sold and acquired, and the Resolution No. 58/78 of the Council of Ministers dated 5 May 1978 on acquiring licenses for the use of foreign technical solutions and production know-how in the national economy.

The task of monitoring technology imports is being performed within the framework of a periodical review of the implementation of national economic plans. Within the general economic

system the branch ministries and industrial associations, with supervising authority on the business enterprises, should conduct once a year reviews of the implementation of the programs of licensing imports with special regard to the actual versus planned volume of exports and imports. These analyses are then sent to the Minister of Science, Technology and Higher Education, who is responsible for the preparation of the overall report of the effects of licensing imports.

Such report together with conclusions and policy recommendations is being presented to the Council of Ministers who, eventually undertake necessary adjustments.

The Mexican Law, as amended in 1982, clearly stipulates that the registry is entitled, at any time, to confirm the veracity of the data submited or requested for evaluation, and can demand the information deemed necessary for that purpose.

For some kinds of agreements, namely those related to the use of computer programs, some specific information must be supplied anually, otherwise the agreement shall be invalidated.

Furthermore, heavy fines can be imposed upon any of the parties or representatives thereof who, when requesting registration of any agreement should furnish false information.

The Portuguese Law contains a general provision stating that it is within the scope of the Foreign Investment Institute to act as the controlling body in all and any matters pertaining to direct foreign investment and transfer of technology agreements as well as to monitor their application and implementation unless the responsability for doing so has been expressly delegated to another body.

The existence of a legal background for monitoring is desirable but is not in itself a guarantee of effective monitoring.

On the other hand, even without legislative backing, other than the one giving the registry approval authority, there may be practical means to make the firms be responsive to monitoring requirements.

Approval authority means, among other things, that:

- the transfer of techonoly agreements between domestic and foreign firms are only valid after approval and consequent registration;
- the payments stemming from the implementation of the agreements can only be transferred by the institutions controlling foreign exchange operations (Central Bank, or dully authorised credit institutions) after registration has been granted, and according to the respective conditions.

If there is a good relationship and flow of information between the registry and the foreign exchange controlling authorities, that will represent a good instrument to make monitoring operative. In case the companies refuse to provide information considered by the registry as necessary to follow-up the agreement, or if deviations from the approved contract are detected, it is possible to stop remittances, which represent the most sensitive persuasion element.

In this respect we can take as an example the case of Portugal where the transfer of technology regulations contain the following provisions related to payments:

"1. Applications for the transfer of payments stemming from implementation of the agreements for the transfer of technology which have been duly authorized and registered by the Institute shall be submitted to the Bank of Portugal, which is the body responsible for granting the necessary authorization.

2. The Institute shall provide the Bank of Portugal with all information having a bearing on payments arising from agreements for the transfer of technology including alterations, renewals or termination thereof.

3. In turn, the Bank of Portugal shall submit monthly to the Institute, in accordance with the latter's instructions, statistical data and all or any information about payments that are being made as a result of authorisations granted under the terms of Paragraph 1."

In practice, when the agreement is approved and registered, the respective contract documents are sent to the Bank of Portugal together with an information sheet summarizing the main relevant conditions for the purpose of remitting the payments arising from the agreement.

That information sheet is the same used by the registry for the statistical treatment of the information related to the transfer of technology agreements; but when designing it, the Foreign Investment Institute consulted the Bank of Portugal in order to know which information and respective arrangement would be more convenient to make easier to work of that institution.

Beyond the identification of the parties, the file and the registration numbers, and the subject of the agreement, the most important data for the controlling activity under the responsability of the Bank of Portugal are:

- a detailed description of the payments involved in the agreement;
- the duration and eventual additional conditions imposed by the registry.

If a particular agreement deserves special concern in respect to any expected results or imposed conditions, it is always possible to keep a close control on the situation by registering for relatively short periods and monitor the contract performance before deciding on the renewal request.

5. RENEWAL OF AGREEMENTS

5.1. REASONS FOR RENEWAL

The problems related to the renewal of tranfer of technology agreements deserve special attention and concern.

In principle the duration of an agreement should be limited to a certain time and established in such a basis as to provide a fair compensation to the supplier, and permit the full assimilation of the technology by the recipient.

Some legislations define the maximum duration permited for the agreements (normally ten years), others contain the abovementioned principle by stipulating that:

- agreements for the transfer of technology shall have a definite duration;
- there shall not be limitations to the use of the technology by the licensee after the expiry of the agreement.

However, we believe that all registries are faced with requests for renewals of technology transfer agreements, many of them having already lasted for long periods.

Several reasons explain this situation:

a) Many agreements which already existed before regulatory legislations came in force were celebrated in conditions that did not allow neither the absorption of knowledge nor the appropriate development of domestic technological capabilities, on account of provisions and restrictive conditions designed to perpetuate the dependence of licensees from licensors.

The common denominator for the majority of the licensing agreements found by the registries when they became operational can be summarized as follows:

- high direct and indirect costs;
- indefinite duration, or definite duration but subjected to automatic renewal;
- compulsory use of licensor's trade mark;
- post-expiry restrictions prohibiting the use of know-how upon expiration of the contracts.

Other restrictive conditions were also usual in those agreements, such as:

- prohibition of exporting or the obligation of doing so through channels controlled by the licensor;
- tied purchase of raw materials and other intermediate goods from the licensor;
- grant back conditions, obliging the licensee to transmit the improvements achieved free of charge to the licensor.

Agreements have been found where domestic companies were paying royalties for no longer valid patents of for know-how which was assimilated since a long time; however the renewal of the agreements was requested on account of contractual conditions as described above.

The simple fact that in many cases the products had been promoted in the market with the licensor's trade mark justified a flexible attitude, as the termination of the agreements might result in serious problems for the licensees and not much harm to the licensors.

b) In some cases the agreement might have been properly negotiated for a reasonable period, and after that it may be concluded that the renewal is convenient for the licensee. This happens in fields where there are frequent innovations resulting into new products or upgrading of the existing ones. This calls for intensive and costly R & D activities necessary either to meet changing market demands or to face an agressive competitive environment.

As for many licensees in developing countries such R & D capabilities are not within their reach, the best solution in order to have access to innovation and keep position in the market might consist in continuing the relationship with the licensors, by renewing the agreements.

c) Some service agreements, which represent a kind of relationship normally supposed to have limited durations, are repetedely submitted to the registries for renewal.

That may happen because recipients do not care about preparing their own staff in order to achieve self reliance; or because the nature of the assistance to be rendered by the supplier (for example, when such assistance is only necessary from time to time) would not justify the creation of the recipient's own skills and makes the continuing use of the supplier's services much more profitable.

In other cases involving highly complex technical matters the domestic firms just can't help asking for foreign assistance, normally provided by the original supplier of the technology and under very costly (and renewable) service agreements.

Examples of this nature can be found in the area of maintenance of computer systems and in some process industries, like petroleum refining, where some of the problems that may arise in the course of operation (affecting key process variables or critical equipments) are beyond the capabilities of the recipient's staff and require foreign expertise to be solved efficiently and in a timely manner in order to minimize losses resulting from shutdowns or unsuitable operation.

As a rule, in the agreements corresponding to the situations referred to above the suppliers demand an annual fixed fee for the availability to render the services, if requested, plus the cost of the actual work performed which, in most instances, is invoiced according to rules out of the recipient's control.

d) A special reference should be made to the agreements existing between foreign companies and domestic subsidiaries or in situations where equity relationship exists between the supplier and the recipient of the technology.

Usually the scope of those agreements is described as covering a wide variety of services such as the license to use know-how and patents, technical assistance to production and marketing, supply of information on improvements or new processes, personnel training, support in solving problems of general nature in the different managerial areas.

In connection with those agreements there are sometimes real actions of necessary technical assistance or valuable inflows of technology to the recipient; but it is not uncommon that:

- most of those services are rendered, not because they are necessary to the domestic firm, but because the foreign owner uses that way to keep control on the business or to apply to the local affiliate or partner the rules and the standards prevailing within the group;
- the payments, usually established as a royalty on the sales or as an annual fixed amount subjected to escalation, show a tendency for a strong overvaluation as they permit the suppliers to remit part of the profits abroad with a much lower tax level.

5.2. EVALUATION

Whe have shown different kinds of situations in which the suppliers or the recipients of the technology are interested in renewing the agreements.

The main evaluation and negotiation problems are found with license agreements which were already in force when the registries became operational, and imposed high costs and a variety of conditions of restrictive nature as described above.

The evaluation of such cases requires the collection of historical information, to be requested to the licensee or collected from other sources, namely:

- the past behaviour and features of the licensor/ /licensee relationship;
- the evolution of the sales, payments, national value added and exports;
- financial statments for the previous agreement period;

- amount of tied transactions and prices practiced by the licensor;
- characteristics of the technology and licensor's property rights still valid.

That information will permit to assess:

- whether the renewal is justifiable and necessary for the continuation of the licensee's activities;
- which would be the consequences for the economy of the country in case of eventual termination;
- what conditions should be negotiated to improve the contract performance and to decrease the dependence of the licensee from the licensor.
- how to monitor the fulfilment of the envisaged goals when authorizing the renewal.

The approach to be used depends on the particular circunstances associated to the agreement like the sector of activity, the amounts involved, the relative strengths and weaknesses of the parties; and requires the ability to find the appropriate and feasible issues for the benefit of the domestic company and for the achievement of the government's objectives.

Annex IV presents the questionnaire used in Malaysia for renewal of technology transfer agreements.

As for the payments (royalties or otherwise), although they do not necessarily represent the most important issue, they normally play a sensitive role as a matter of evaluation and discussion, and the positions to be taken in this respect should be based in very sound judgements.

Information from other existing similar agreements, or from previous decisons, or from external sources (v.g. through TIES system) is crucial to provide guidance for the decision making process or to back-up the domestic firm.

In some cases there are no similar agreements or previous experience to take as a reference. Yet we can judge on the payments by looking at the licensor's share on the licensee's profit.

Excluding situations of very special nature , the profit receivable by the licensor is generally accepted as reasonable if it is in a range from a quarter to one third of the profit resulting from the exploitation by the licensee.

When the agreement has lasted for a long time and the renewal is accepted because the licensee is tied to the use of the licensor's trade mark or is willing to keep access to eventual improvements, a significant reduction on the royalty rates should be proposed , taking into account that the access to know-how and the transmission of the basic technology has already been paid for during the previous term of the agreement.

For the renewal of service agreements the main problems are the evaluation of payments and the measures to be taken to up-grade domestic capabilities in the field and reduce dependance from external suppliers.

A possible way to deal with such agreements consists in appraising data from previous years in respect to:

- the services actually rendered and the man power involved;
- the criteria for invoincing the different cost components;
- the fees per man.hour or man.day that have been charged.

That information permits to assess whether payments are established in a fair basis and provides ground to discuss with the recipient, and eventually with the supplier, which training efforts should be made towards self reliance.

Agreements of this sort should be subjected to a close monitoring, for example by renewing in a year by year basis (and with a ceiling on the payments) in order to find out if the established goals are being achieved.

In some fields it is not to be expected that the recipient may dispense with the supplier's services as in the case of computers maintenance.

Here, it is usefull to monitor if similar needs are felt by other firms or if the supplier is expanding its activities by rendering the same kind of service to an increasing number of domestic firms.

If such is the case, the registry may take the initiative of inducing the creation of local capabilities, either by the up-grading of domestic skills or by persuading the supplier to set up a subsidiary in the country and prepare local staff to render the services.

In relation to the renewal of agreements between foreign companies and local affiliates the evaluation is much more difficult as the parties, having a common interest, tend to overevaluate and use misleading information to convince the registries about such importance.

Agreements of this kind give rise to a heavy burden on the foreign exchange balance and in many instances represent a way of remitting profits with fiscal advantage.

Some countries do not allow transfer of technology agreements between foreign companies and domestic subsidiaries or when the supplier controls the recipient's activity through equity participation.

Other countries adopt a flexible attitude and accepte such agreements, provided that they reflect arm's length conditions. As noted above, many agreements of this sort found by the registries, were far from being fair and required much of appraisal and negotiation to establish new reasonable conditions and make the supplier responsive to appropriate actions for the domestic technological development or to meet other government's objectives.

The assistance of other government departments (we already noted the interest of co-ordinatory actions) may be usefull or necessary, mainly when very specialized technical matters are to be discussed and difficult negotiations between the registries and the parties are expected.

5.3. RENEWAL AND MONITORING

The previous section dealt mainly with the evaluation of renewals with a particular emphasis on those agreements which already existed before the creation of regulatory mechanisms.

Renewal in such cases is granted in result of a negotiation process with the active intervention of the registry, defining objectives and conditions to be fulfilled along the next term of the agreement; and this naturally calls for monitoring actions.

On the other hand, the renewal of agreements which were previously enforced in result of a normal evaluation and approval process by the registry can be taken as an apportunity to compare the actual performance of the agreement with the results projected by the time of approval.

As most registries are not organized and staffed to carry out systematic monitoring in an yearly basis, a feasible approach might consist in monitoring the agreements when renewal is requested.

What is normally done is Spain provides a good example. In principle, the license agreements are registered for periods not longer than five years, although admiting the possibility of renewal. For This purpose the questionnaire to be presented with the application includes a special section (see Annex V) designed in such a way as:

a) to compare the projected figures (sales, payments, exports, etc) with the real ones;

b) to find out the reasons for the differences between expectations and realities;

c) to assess the practical results of the agreement, namely:

- transmission of improvements or innovations from the licensor to the licensee;
- development of improvements or innovations by the licensee;
- extent of reduction in the technological dependence;
- justification for the request of renewal.

Furthermore when the use of foreign technology or trade mark affects more than 30% of the recipient's volume of sales, a development program should be presented to the registry describing the practical steps to be taken with regard to one or more of the following areas:

a) Reduction of technological dependence by means of:

- assimilation of the imported technology, or
- sectoral technological development.

b) Other actions

- utilization of domestic resources or import substitution;

- implementation of exports;
- ocasion of job opportunities;
- energy conservation;
- other priority objectives of domestic industrial policy.

In practice the establishment of a development program describing the expected tangible contributions toward the elevation of the country's technological capability, acts as a contract between the parties and the registry itself, and the results achieved will influence the position to be taken about future renewals.

It is worth being noted that the Spanish Government recognizes as a contribution to the improvement of the country's technological capability not only efforts at innovation in the recipient's own area of activity, but also efforts aimed at upgrading its industrial environment consisting of suppliers and consumers.

In most cases, such suppliers are small and medium firms which provide materials or components and auxiliary equipment, and it seems proper that the large companies, some of them multinationals with a great deal of economic and technological strenght, should help the enterprises around them, even to the point of assisting them in their operations.

Some positive results that have been observed stem from the fact that the submission of programs by the enterprises is making it possible to co-ordinate and complement the larger companies' activities of technical support for their suppliers with the government's efforts to promote industrial innovation through the appropriate departments.

6. ILLUSTRATIVE CASE STUDIES

The cases presented below correspond to real situations. For reasons of confidentiality a broad description will be made without disclosure of data that might identify the parties involved.

CASE 1

The agreement between a foreign company and its affiliate in the country, existed since 1971 and stipulated a duration of 10 years, subjected to renewals for further equal periods.

According to its wording, the object of the agreement was the license to use secret know-how, patents and trade marks, as well as the transmission of improvements, providing technical assistance, personnel training, etc.

The compensation was established as a royalty of 5% on the volume of sales, representing about half a million dollars of remittances per year.

Due to a recent legislation on transfer of technology introduced in the country, the agreement was submitted to the registry in 1978 for evaluation, in result of which it was found that the activities of the domestic affiliate were mainly of commercial nature, and it was proposed to the parties a reduction of the royalties to a level not higher than 2% on the net sales.

The company showed a totally negative reaction and argued that:

- the position of the registry was arbitrary and prepotent and could result in the cancellation of the company's operations in the country;
- the contractual products had a new and unusual character and are contributing to increasing productivity, safety and industrial development of the country;

- the value of the services rendered by the mother company exceed by far the 5% royalties;
- it is indispensable the renewal of the agreement, within the same conditions, with the corresponding benefits for the domestic company, and for the country.

In view of the above argumentation the registry requested detailed information about:

- description of the company's activity in the country;
- evolution of sales and imports;
- list of the most important contractual products;
- impact of the company's activity in other sectors;
- description of all training actions and technical assistance provided by the mother company.

The answers received and further investigation permited to conclude that, in fact, the company's activity is related to medium/high technology products , but the affiliate has only commercial activities, acting as a trade agency which imports the products as a package, ready to be distributed in the market.

Therefore, the agreement is inconsistent when describing its subject as a license to use know-how, patents and trade marks.

Furthermore, it was found that all the company's products had several substitutes in the market and no similar agreement existed neither any such request had been submited to the registry by the competitors.

It was also found that a royalty of 5% on the domestic sales represent 14% of the FOB price of the products and the obvious conclusion was that the company had been enjoying a priviledged fiscal situation and an unfair competitive advantage.

Ultimately the company tried to demonstrate that it was receiving constant visits assistance from foreign experts for the benefit of the domestic customers.

The monitoring of such actions led to the conclusion that:

- a part of the visits had no relation with technical assistance, neither did such visits justify any payments;
- accepting some other visits as usefull to the affiliate's activities, the corresponding payment, according to normal rates should not be higher than 1% on the net sales.

The evolution of the situation in relation to the payments was as follows:

- in a very flexible attitude, the agreement was registered in 1978 with the preveiling 5% royalty until 1981 in order to complete the established duraction of 10 years, but with a clear indication that such level of payments would not be permited for renewal with the same 5% royalty was submitted to the registry. The wording of the agreement was substantially changed in an attempt to keep the payments as in the past;
- while negotiations were proceeding, and for an inferior period of some months it was accepted a royalty of 2,5%;
- then, in result of a thorough analysis of the monitoring data a final decision was taken, establishing the payments in a maximum of 1% on the net sales.

Later on, the tax authorities refused to accept the deductibility of such payments, which are now accounted as a proffit for fiscal purposes.

CASE 2

The contractual relationship under analysis existed between a multinational company and its affiliate operating in the host country; it consisted of 2 agreements:

- one, referred to the license to use know-how and patents with a payment of 5% on the sales;
- the other, related to the general technical assistance and engineering provided by the mother company, and involving an additional compensation of 2.5% on the sales.

The affiliate operated heavy chemical plants based on conventional technologies but most of its products were critical raw materials for a significant part of the country's chemical sector.

The overall royalty rate of 7.5% corresponded to about 4 million US dollars in 1981 and this figure represented about 60% of the net profit.

This situation already existed when the registry was created, and the agreements had been approved and enforced by the Central Bank, years before, when it was the competent authority in the matter. Furthermore, the agreements stipulated an indefinite duration and, theoretically, there was no legal ground to force its renegotiation, as the transfer of technology regulations recently issued considered fully valid all the agreements that had been previously approved and registered by the Central Bank.

Several government departments felt that the royalty level was exagerated and had a strongly negative reflexion on the country's economy; the Central Bank itself recognized that the decision taken in the past had not been appropriate, for lack of evaluating skills; and the registry was willing to find a way to make the foreign group to re-discuss the situation.

In result of a joint understanding between the registry and the Central Bank an amendment to the law was proposed to the government in order to allow the re-discussion of the agreements which had been approved in the past with indefinite durations.

Meanwhile, and even before of the amendment to the law was passed, the Central Bank suggested to the parties that the agreement should be submitted to the registry.

And so the re-negotiation started. The company was explained that agreements of indefinite duration would be no longer valid in a near future, and that it would be convenient to think of adaptation to unavoilable new realities.

The company knew very well this was a move towards a reduction on the payments and showed interest in knowing the position of the registry is that respect, but the position taken in that preliminary contact was rather cautious under the pretext that the file was not yet sufficientely known and a lot of information should be collected to evaluate the situation.

The company accepted to establish a duration of one year for the existing agreements without much struggle and it was agreed that a new version would be submited in order to re-negotiate new conditions for the future.

Then, a strategy was devised, consisting in two main driving forces:

1. requesting the company detailed relevant information about the technology received, namely:
   - dates of start-up of the existing plants, and supply of engineering for technological improvements, revampings, etc;
   - patents still valid and respective fields of application;

- investments along the last three years;
- technical assistance provided by the mother company during the last two years;
- staff composition and training actions.

2. a formal contact was established with a specialized department within the Ministry of Industry in order to make a joint evaluation of the company's activities and the technical matters related to the agreements. The registry was in position to evaluate and discuss with the company without need of external support but felt that the co-operation of another government department in the negotiation would strengthen its position vis a vis a powerful counterpart.

In order to meet the registry's request, the company sent a detailed report describing its past and present activities, and the technology received from the foreign owner, consisting in engineering, technical assistance and know-how, some of which covered by patents.

It was a fact that the mother company supplied to the affiliate a steady flow of tangible technology and the question was to assess a reasonable level of payments.

The data received allowed to draw the following broad conclusions:

- the 3 main plants operated in the country were rather old, two of them with more 40 years, and the other one with about 20 years;
- there had been several revampings along the years, but two of the plants had not been subjected to any major intervention for more than 10 years;
- as a rule, the mother company supplied the engineering for the revampings and other improvements, but some of them needed engineering from external sources, with the corresponding extra payments;

- there was a number of patents owned by the mother company related either to process improvements or to specific devices;
- the direct technical assistance provided in previous years, if accounted in an arm's length basis, amounted to about 0,6% on the net sales;
- indirect assistance as backing-up work in the central office was also reported, but it was not feasible to make an accurate evaluation of such assistance, except to gess that it should not represent more than the direct assistance.

Meanwhile, through informal contacts the company gave some signs that it was prepared to a reduction in the level of payments and it was felt by the registry that it would accept to decrease from 7.5% to 4% without much discussion, but this figure was considered still very high.

As a basis for the next step of discussions the following position was taken:

- the supply of engineering for new plants or for the revamping of the existing ones was accepted to be paid for, according to evaluation by the registry, in a case by case basis;
- as a compensation for the technical assistance, know--how and patents a global royalty of 2% on the net sales would be accepted as an alternative to a case by case evaluation.

As a final result of the negotiations, the following compromise was reached:

- the registry accepted the renewal of the agreement for further 5 years with a royalty level of 3% on the net sales;
- the company commited itself to a modernization program with an average annual investment of about 5 million US dollars;

- it was made clear in the approval documents that the basic accepted royalty was 2% and the additional 1% was connected to the expected investments, thus keeping some additional bargaining power in view of a future renewal request.

CASE 3

A foreign investor operating in the country with several facilities in the field of fool processing industry, maintained with the affiliate a technology transfer agreement comprising the use of manufacturing processes, know-how, patents and trade marks; technical assistance, personnel training, quality control, and introduction of new products and technologies.

The royalty rate, established as a certain amount per kilogram of product manufactured and sold was higher than 5% on the net sales and amounted to more than 10 million US dollars in 1982.

When the renewal was requested for another 5 years period, the registry, upon advice from specialized sectoral departments, established the following package of conditions:

- reduction of the royalty level;
- implementation of exports;
- re-investment of the royalties in the country;
- fulfilment of a technological development program.

The dimension of the investor's operations in the country gave to the government a considerable bargaining power and the negotiations led to the results described below:

a) Payments: reduction of 22% in the royalty rates.

b) Exports: the company agreed to start exports in an minimum amount equivalent to 5% of the sales volume, but with the objective of achieving an yearly value of about 35 million US dollars.

c) Assimilation of technology: a detailed personnel training was established, involving (1) 2 000 workers along the next five years (2) 650 upper level professionals and (3) 35 technicians/year in the investor's facilities abroad.

d) Research and development activities: it was agreed to upgrade the activities of an already existing R & D center and implement research programs of interest for the country in co-operation with universities and government technological centres.

e) Other effects: the company committed itself to other actions in benefit of the domestic development, such as:

- to support the farmers (who supply its plants) in improving their skills, either technological or managerial;
- to influence the manufacturers of agricultural machinery, by providing them specifications envisaging more hygienical handling conditions;
- to invest in a project for energy conservation in order to save about 500 tons of fuel per year;
- to co-operate with government institutions concerned with research and innovation, by transmiting them the knowledge obtained about sectoral needs through the permanent contact with the domestic suppliers of equipments and raw materials.

A N N E X E S

I - SCOPE OF INFORMATION TO BE SUPPLIED FOR TECHNOLOGY TRANSFER CONTRACT MONITORING

II - FORM FOR ANNUAL PROGRESS REPORT USED IN PHILIPINES

III - EXAMPLE OF DATA AVAILABLE FOR MONITORING (CASE POLAND)

IV - QUESTIONNAIRE FOR RENEWAL OF TECHNOLOGY TRANSFER AGREEMENTS USED IN MALAYSIA

V - QUESTIONNAIRE FOR MONITORING RENEWALS (CASE OF SPAIN)

A N N E X I

SCOPE OF INFORMATION TO BE SUPPLIED FOR TECHNOLOGY TRANSFER CONTRACT MONITORING (ILLUSTRATIVE FORM)

I. GENERAL DATA

1. Address of recipient and supplier of technology;
2. Date of implementation of the acquired technology.

II. CAPITAL STRUCTURE

1. Foreign equity (information on origin and amount of foreign capital compared with figures reported for previous years);
2. Local equity (as of end of previous and present year).

III. PRODUCTS MANUFACTURED UNDER LICENSE

1. Local value added;
2. Domestic sales;
3. Exports sales (country of destination, value, quantity);
4. Selling price (average) in domestic and export sales;
5. Inventory of finished goods;
6. Declared profit (product or company).

IV. EMPLOYMENT (INFORMATION ON REAL EMPLOYMENT COMPARED WITH THE EMPLOYMENT FIGURES REPORTED IN THE PREVIOUS YEAR OR AS COMPARED WITH ESTIMATED EMPLOYMENT)

1. Local personnel

Professionals	Technicans
a. project manager	senior technician (15 years experience)
b. senior professional staff	senior technician (10 years experience)
c. professional	technican (5 years experience)
d. junior professional	junior technical

2. Foreign personnel (for classification, see local personnel).

V. INFORMATION ON THE ACTIVITIES AND SERVICES RENDERED BY THE FOREIGN EMPLOYEES IN THE COMPANY

VI. IMPORT DATA

1. Imports (country of origin, value, quantity)
   - raw materials and supplies
   - machinery and equipment

VII. EXPENDITURES ON THE ACQUISITION AND IMPLEMENTATION OF TECHNOLOGY

1. Fees and royalties (for detailed classification see TIES coding manual)
   - lump sum
   - royalties
   - service fees.

2. Cost os implementation
   - total cost
   - capital expenditure
   - import requirements.

VIII. INFORMATION ON OTHER BENEFITS DERIVED FROM THE SUPPLIER OF TECHNOLOGY INCLUDING NEW DEVELOPMENTS AND IMPROVEMENTS OF TECHNOLOGY ACQUIRED

IX. INFORMATION ON TRAINING PROGRAMMES CONDUCTED BY THE SUPPLIER OF TECHNOLOGY FOR THE PERSONNEL OF THE RECIPIENT

- type of training (on the job, training centres, etc.)
- number of professionals trained duration
- number of technicians trained duration

X. INFORMATION ON THE MEASURES UNDERTAKEN TO ESTABLISH/IMPROVE RESEARCH AND DEVELOPMENT FACILITIES BY THE RECIPIENT

TTB Form No. 2 Form for Annual Progress Report

_____, 19___

Technology Transfer Board
Ministry of Trade & Industry
Industry & Investments Bldg.
385 Buendia Avenue Extension,
Makati, Metro Manila

Attention : Registry Division

Gentlemen :

We are submitting herewith our annual report on the progress of the project covered by our duly approved and registered agreement for the year ending _____, 19___ as required by the rules and regulations issued by the Board.

Title of the Registered Agreement :		
Name of Licensee/Buyer of Technology :		
Address :	Office :	
	Plant :	
Name of Licensor/Supplier of Technology :		
Address :		
Product/Service Covered by the Registered Agreement :		
Date of Effectivity of Agreement :		
Date of Registration :		
Registration Number :		

NOTE : Data submitted pertain only to licensed products under the registered activity.

1. Local Value-Added and Sales Data :

Item \ Product							
		As of ___ prev. yr.	As of ___ present yr.	As of ___ prev. yr.	As of ___ present yr.	As of ___ prev. yr.	As of ___ present yr.
Local Value-Added	Value ($)						
	Percentage (%)						
Sales (Domestic)	Volume (units)						
	Value of Sales (₱)						
Sales (Export)	Volume (units)						
	Value of Sales ($) FOB						
Selling Price (Average)	Domestic (₱)						
	Exports ($)						
Inventory of Finished Goods at end of Qtr.	Volume (units)						
	Value (₱)						

2. Employment Data :

	Number of Employees in Registered Activity		
	As of date of registration	As of the end of Dec. ____ (previous yr.)	As of Dec. 31, 19____ (present yr.)
1. Local Personnel			
Type			
Skilled [1]			
Semi-skilled [2]			
Unskilled [3]			
2. Foreign Personnel			
Position			

[1] Persons employed in jobs requiring at least 6-months training or the equivalent experience (e.g. plant manager, engineers, foremen, machinists, electricians, maintenance, quality control technicians, etc.)

[2] Persons employed in job requiring between 1 - 5 months training or equivalent experience (e.g. warehousemen, drivers, packers, etc.)

[3] No prior training required.

3. Annual Foreign Exchange Receipts and Disbursements (in US $) :

	As of end of Dec. ___ (Previous Calendar Yr.)	As of end of Dec. ___ (Present Calendar Yr.)
Foreign Exchange Receipts		
Export Earnings Others (Specify)		
Foreign Exchange Disbursements		
Machinery & Equipment Raw Materials & Supplies Royalty Remittances Others (Specify)		

NOTE : Please indicate in blank space above specific dates of royalty remittances and corresponding dates of Central Bank approval.

4. Export and Import Data :

Exports	Country of Destination		Value (in US$)		Quantity	
	As of ____ (prev. yr.)	As of ____ (present yr.)	As of ____ (prev. yr.)	As of ____ (present yr.)	As of ____ (prev. yr.)	As of ____ (present yr.)
Imports	**Country of Origin**		**Value (in US$)**		**Quantity**	
Raw Materials & Supplies (please specify)						
Machinery & Equipment (please specify)						

5. Capital Structure :

Sources of Equity	Capitalization as of end of _____(previous yr.)			Capitalization as of end of _____(present yr.)		
	Autho-rized	Subs-cribed	Paid-up	Autho-rized	Subs-cribed	Paid-up
Foreign (state nationality)						
Local						

6. Production Capacity :

Volume of Production	As of end of Dec. ____ (Previous Calendar Yr.)	As of end of Dec. ____ (Present Calendar Yr.)
Actual Plant Capacity		
Rated Plant Capacity		

7. Profits Data :

Net Profits	As of end of Dec. ____ (Previous Calendar Yr.)	As of end of Dec. ____ (Present Calendar Yr.)
Value (₱)		
Percentage of Sales (%)		

8. Market Share Data :

Local Market Share	As of end of Dec. ____ (Previous Calendar Yr.)	As of end of Dec. ____ (Present Calendar Yr.)
Percentage of Total (%)		

9. Raw Material Component Sourcing Data :

Raw Materials	As of December ____ (Previous Calendar Yr.)	As of December ____ (Present Calendar Yr.)
(1) Indigenous	Value (₱)	
	Percentage (%)	
(2) Licensor	Value (₱)	
	Percentage (%)	
(3) Others	Value (₱)	
	Percentage (%)	

10. Describe the other benefits derived from the supplier of technology including but not limited to new developments and improvements on the technology availed of under the Agreement.

11. Describe the activities and services being rendered by the foreign employee/s in the company, including those related to the training of Filipino understudies in his functions.

12. Describe the training program conducted by the supplier of technology for the personnel of the recipient/buyer of technology.

13. Describe the measures undertaken to establish/improve research and development facilities of the recipient/buyer of technology.

14. Specify the specific terms and conditions of registration imposed by the Board on the Agreement and indicate compliance therewith.

It is certified that all information in this report is true and correct.

Very truly yours,

_____
(Signature of Official)

_____
(Official Position)

_____
(Date)

O A T H

I, _____, married/single, of legal age, _____ citizen, and residing at _____ _____, after having been sworn to in accordance with law, hereby depose and say:

1. That I am _____ of _____;
2. That I am duly authorized to furnish the foregoing information;
3. That the foregoing information is true and correct to my own knowledge.

_____

SUBSCRIBED AND SWORN to before me this _____ day of _____, 19____, affiant exhibiting to me his/her Res. Certificate No. _____, issued on _____ at _____, Philippines.

_____
Notary Public

Doc. No. _____
Page No. _____
Book No. _____
Series of 19____

A N N E X III

EXAMPLE OF DATA AVAILABLE FOR MONITORING (CASE OF POLAND)

The range of information available for monitoring purposes may be roughly divided into two broad sub-groups:

A. Data allowing for monitoring in the micro-scale

B. Information on which monitoring in the macro-scale rests.

A. MONITORING OF INDIVIDUAL LICENSES' IMPLEMENTATION

The scope of information here is pretty broad and comprises, inter alia, the following points:

a) name of foreign trade company responsible for a given contract;

b) contract date/of signing, entry, expiry/;

c) contract object/plus NTHZ code which can be easily translated into ISIC or SITC standars/;

d) technical description of the licensed product;

e) start-up of licensing production/as planned/;

f) data on supplier company;

g) data on recipient company;

h) supplier country;

i) geographiçal scope of patent protection;

j) type of license/exclusive vs non-exclusive/;

k) right to use trademark;

l) right to sublicence;

m) range of licensee's rights to use licence in his own country;

n) export restriction;

o) licensor's obligations to convey improvements;

p) licensee's obligations to render accessible improvements;

r) type of payment;

s) total contract value of which: lump sum and royalties, value of capital goods imports, value of imports of raw materials, part and components.

The above information may be supplemented by confidential data contained in reports on licences' exploitation and performance as well as extended to all remaining data referring to any kind of exports or imports connected with a given licence.

B. MONITORING OF LICENCES' IMPLEMENTATION IN MACRO-SCALE

Information classified to this group may be obtained for different groups of licences by the following cross--sections:

a) countries;

b) government agencies/branch or functional ministries/;

c) foreign trade companies;

d) business enterprises - direct recipients of technology;

e) industries and branches.

Each of the above cross-sections may be easily supplemented by more detailed data, e.g. "Country" may cover information on:

a) number of licences acquired;

b) total value of contract;

c) implementation/performance/costs;

d) payments;

e) efficiency of licence ventures;

g) restrictive business practices met in licencing contracts etc.

C. INFORMATION FROM OTHER SOURCES

The Foreign Trade Data Centre handles all information systems related to foreign trade operations in their broadest sense. Thus, due to the fact that the Computerized Licence Register Information System is interlinked with other systems, such as, e.g. "Export Producer", "Company", "Transnational Corporations", "Industrial Co-operation", the information flows provided by the Centre may be extended so is to cover all the area of technology transfer/ e.g. turn-key projects, machinery and equipment, industrial co-operation, technical services etc.

More specyfically, the following information can be obtained from the systems above mentioned:

C.1. Export Producer

a) volume of output and production capacity of an enterprise-technology receiver in Poland;

b) total sales and their structure;

c) number of employees;

d) value of exports/in a given year, time series/;

e) export cross-sections/geographic, product etc./;

f) import content of export production/including imported technology;

g) net earnings related e.g. to imports of licences.

C.2. Company

a) size of a foreign supplier of technology and merchandises/employment, value of sales etc/;

b) volume of exports/imports to/from Poland;

c) organizational cross-sections of exports/imports/ /Polish companies' trade with a given foreign supplier/.

C.3. Transnational Corporations

a) size/employment, sales etc/;

b) type of supplier company/parent, affiliate/;

c) number of foreign subsidiaries;

d) total trade with Poland;

e) specyfic cross-sections of total trade/commodity trade, technology, industrial co-operation etc/;

f) organizational and specific cross-sections/as in point B.C./.

C.4. Industrial Co-operation

a) total value and scope of contracts related industrial co-operation;

b) geographic, organizational and type-specific structure of industrial co-operation;

c) share of trade streams generated in total exports/ imports;

d) characteristics of partners/size, internationalization etc/.

A N N E X IV

QUESTIONAIRE FOR RENEWAL OF TECHNOLOGY TRANSFER AGREEMENTS USED IN MALAYSIA

i) What are the rationale and reasons for your company wanting to extend the periode of the agreement.

ii) Why isn't the past agreement period sufficient for your company to acquire the technical expertise and know-how transferred including the ability to conduct the manufacturing operations of your company without further assistance from your foreign Licensor.

iii) What are tha factors which have inhibited your company from acquiring and absorbing the technology and technical expertise supplied by your foreign licensor.

iv) Specify the extent of technical assistance and know-how including technology concerning production and manufacturing processes supplied by the licensor in the last agreement period. State the level of achievement and competence in the production field resulting from the technical assistance and know--how supplied particularly in achieving any increase in production goals in comparision with the actual production capacity of your company.

v) Please state and list the improvements relating to the know-how and technology supplied to your company by the licensor in the past agreement period. Also state what are the new technology or improvements which will be supplied in the new agreement period.

vi) Please state the types of technical training given by the licensor to the workers of your company in the previous agreement period. State the number of workers trained, the level of employment of the workers, type of training, period and place where the training is conducted. Please forward also the proposed training programme for the next agreement period.

vii) Please give details on the use of local raw materials in the manufacture of your company's products in the previous agreement period i.e. the value of local raw materials used and their percentage of the production costs and value of finished product. State also the types of local raw materials used and also other raw materials.

viii) State the number of technical exports which have been sent by the licensor in the previous agreement period - giving their names, designation, area of expertise rendered, period of duty at your plant and amount of allowances/salaries paid by your company to such experts.

ix) Please forward the following data and information:

a) Total royalties paid in previous agreement period.

b) Statement of gross profits and net profits for previous agreement periods and estimated figures for next agreement period.

c) Statement of gross sales and net sales for previous agreement period and estimated figures for next agreement period.

d) Copies of audited financial statements for the previous agreement period.

e) Copies of bank documents on payment of royalties made to licensor and official receipts on payment of with--holding taxes concerned.

RECIPIENT COMPANY	FILE NR.

RENEWAL OF AGREEMENTS	V

ANNEX V
(CASE OF SPAIN)

Reproduction of projected figures prevailing when the Agreement was formerly approved.

YEAR					
SALES					
SALES IN DOMESTIC MARKET					
EXPORTS					
IMPORTS					
IMPORTS FROM LICENSOR					
PAYMENTS TO LICENSOR					
BREAKDOWN OF PAYMENTS					
AS ROYALTIES					
DOWN PAYMENT					
OTHER PAYMENTS					

Actual figures corresponding to the previous period.

YEAR					
SALES					
SALES IN DOMESTIC MARKET					
EXPORTS					
IMPORTS					
IMPORTS FROM LICENSOR					
PAYMENTS TO LICENSOR					
BREAKDOWN OF PAYMENTS					
AS ROYALTIES					
DOWN PAYMENT					
OTHER PAYMENTS					

Main reasons for the deviations between projected and real figures.

Practical results of the agreement during the ending validity period, namely in what concerns:

- Transmission of improvements or innovations from the licensor to the licensee.
- Development of improvements or innovations by the licensee.
- Application of such improvements or innovations (in case of no application, explain the reason, including those derived from the agreement's provisions).
- Extent of reduction in the technological dependence.
- Justification for the request of renewal (technological, commercial, etc.)